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U.S. Farm security administration.

PLAN FOR THE IMPROVEMENT, DEVELOPMENT AND ENLARGEMENT OF U.S. Department of Agriculture
FARM UNITS IN THE INTEREST OF THE FAMILY

(A discussion by L. G. Allbaugh at Cincinnati, Ohio, November 25, 1941, presented before Regional Directors or Assistant Directors, Regional TP Specialists, Regional Engineers and Regional Attorneys. Regions I, II, III, IV, V, VI and VIII.)

I have taken as my text, the last phrase of the text suggested by Paul Maris yesterday, namely, "Be Not Afraid". Perhaps an addition should be made to this as follows: "But in Doing So Be Not a Fool Nor an Ostrich"; viz. be not too bold, nor stick our heads in the sand.

During visits to seven regions this past summer it seemed that certain phases of the FSA program are becoming noted for: (a) better houses (too good according to some folks) with white paint, (b) useless barns—green, red or creosote, (c) delay or utter disregard for soil improvement. Are we willing to be so branded?

While we are glad to have farm management and home management phases of improvements discussed together, we may well have reversed the procedure and had the home management phases come first for reasons which will become apparent in my discussion.

Now to proceed with the basis of this text which can well be illustrated by the story of Mose, who was interrogated by a stranger passing by his farm as follows:

Stranger: "How's your cotton?"
Mose: "I didn't plant any. I was afraid of boll weevil."
Stranger: "How's your corn?"
Mose: "Didn't plant any. I was afraid it wouldn't rain."
Stranger: "How's your 'taters?"
Mose: "I didn't plant any. I was afraid of the 'tater bugs."
Stranger: "What did you plant?"
Mose: "Nothin'. I jes played safe."

We don't want to follow Mose' suggestion with any new program such as this FHI program. FSA has not maintained itself as an organization by "playing safe" and this is no time to start.

In the discussion which follows, I will try to look on these improvements as a farm manager, which is merely a high-class name for taking a farm operator's viewpoint of what to do and how to do it. As a farm operator, then, there are these four things that I put into my business:

- 1 Land
- 2 Capital or credit

3 Labor

- 4 Management, which is the ability to organize this land, labor and capital into a highest return combination and the ability to operate from day to day with the highest possible efficiency.

Now why do I, as a farmer, put these four things into my business and attempt to operate them from day to day? In order that I may have income to develop the long time satisfactions of physical and mental health and a satisfying life for each individual in my family, for my family as a whole and for the community in which I live.

The farm management job is like that of a mechanic. Any of us can get over the ground with a new car but few of us can travel very far with a second-hand one. It takes a real mechanic to put together a secondhand engine or auto and make it operate because there are so many inefficient parts to watch. And so the farm manager who has to work with worn out land, labor that doesn't want to work, poor equipment, poor quality livestock and no feed, has a real job of getting a living. This FHI program is dealing with this type of a management problem in contrast to the TP program, where the best land, new improvements, sufficient working capital and best operators have been selected.

And so, I was glad to hear Mr. Parisius, of Region II, state that out of their experience with SRE loans, each such client would require as much supervisory time as eight standard RR clients. That is an important point to consider relative to the number of such loans that could be made and the amount of time allocated to each loan, particularly where we are going to assist these families in all four phases of their management program.

The families which this FHI program will reach are characterized by:

- 1 Too little land--both in number of acres and in the "size of these acres" which they already have.
- 2 This, in turn, restricts the use of their labor.
- 3 These, in turn, restrict the use of capital--livestock, machinery and equipment.
- 4 And they are lacking in management ability to a certain extent. Here is where our supervision help can fall down most or give greatest assistance in organizing the resources and improving efficiency.

Here are a few of the suggestions which I have to offer from a farm management viewpoint on how to attack the problems of these prospective borrowers:

- 1 Land and Improvements - Let us not only think of increasing the number of acres on units that are too small but also of increasing the size of units already operated. This leads me to the following statements as to what are the essential improvements on a farm. Considering the goal of farming which I set up previously for long time satisfactions, we might place them in about this order:

- 3 -

a Essential Minimum:

- (1) House - minimum standards
- (2) Water supply - adequate and safe
- (3) Sanitary facilities
- (4) Fence - minimum requirements
- (5) Grain storage - minimum adequate

b Alternative Minimums According to Present Resources, Available Capital Funds and Relative Returns:

- (1) Drainage or irrigation
- (2) Clover and grass seeds
- (3) Lime, phosphate, other fertilizers
- (4) Barn or livestock shelter
- (5) Poultry house
- (6) Weed control
- (7) Land Clearing - brush, timber, rocks
- (8) Terraces, dams, ponds

c Additional Improvements (non-essential)

- (1) Additional grain or hay storage
- (2) Additional sheds for livestock
- (3) Machine shed
- (4) Additional sheds or small buildings
- (5) Additional water system conveniences

And now let us consider these various improvements more in detail:

- 1 House - FSA has made a real contribution here on adequate size, adequate conveniences, and additional points, which Miss Ogle will discuss later.

As an organization FSA must not give up its insistence on adequate minimum rural housing standards. This may be our major contribution to post defense effort. It may be one of our major contributions to the general welfare of the Nation, especially when we see the poorest housing conditions on some of the richest land in the country (the Mississippi Delta). Perhaps we can help adjust downward land values of \$125 per acre so that more of the total investment can go into essential improvements. Is it right that society should accept a custom of reflecting all economic returns into high values at the expense of living conditions of the labor which helps to produce it? These sore spots must not be allowed to become running sores in our social scheme.

In this discussion I have tried to point out that when it comes to living standards and health problems we should not be afraid to set our levels above good farm management economy. I believe as an

JAN 14 1943

organization we owe it to society to lead the way toward higher living levels in rural homes and rural health. I believe that society, as a whole, will approve our fighting for these higher standards in rural areas. I do not believe that we should ask, or can fairly ask, city people to help build by AAA payments, barns, shelters or machine sheds that are relatively less important to the income of our rural people and to the production of food products, while neglecting the improvements in land and soil and housing.

Someone yesterday worried about farmers not being willing to take on these loans and I wondered if they had talked it over with the wife and children. We may need to use home management supervisors on the selling end of this program. I am sure the wife and children may help the farm operator in making a decision that improvements in the home should be made at a time when the family, as a group, can enjoy them. We have had, in the past, entirely too much of the home improvement done at a time when the farm operator and his wife had "one foot in the grave" and the children were about to leave home. ("Graveyard Planning")

There is an old quip which seems applicable here in connection with getting families interested in this program. Eternal struggle is defined as "keeping our earning capacity up to our wife's yearning capacity".

None of us would disagree as to the necessity of these following items and each might be enlarged upon but there are other, more important and less generally accepted items to be discussed.

- 2 Water facilities, including safety and health.
- 3 Sanitary facilities - FSA made an important contribution here.
- 4 Fencing (minimum requirements) - Little or nothing done.
- 5 Grain Storage - Little or nothing done.

And now I would like to interject a new idea based on my text, "Be Not Afraid", particularly in view of the fact that I have Washington and regional engineers in the audience. At this point farm management feels they should have something to say about what type of improvements and how much money is spent on them and how long they should be expected to last. It is here that we feel FSA should "be not afraid" to break new ground. Insurance companies have failed to face long time facts about the more important soil improvements that need to be made on a farm until after foreclosure. The Federal Land Bank has followed the same course and, in many cases, even after foreclosure. I hope we can break new ground in the field of farm loans here. Namely, after the house, water facilities, sanitary facilities, minimum fencing and minimum grain storage, we want these types of land improvements to be given prior consideration as to use of loan funds: (a) drainage or irrigation,

(b) lime, phosphate and other fertilizer, (c) clover and grass seeds, (d) weed control, (e) land clearing--brush, rocks, etc., (f) terraces, dams, etc.

All of these items should be thrown into the hopper as to possible use of accumulated funds or loan funds along with any additional building improvements on the farm such as a barn or shelter for livestock or the poultry house. There is plenty of evidence that pride begins to show itself with the barn or shelter for livestock rather than with the house. There seems little justification for FSA to approve such standards. There is much evidence that barns and shelters are not fully utilized. There is a decided lack of information on an experimental or scientific basis as to the factors which lead to proper spacing, proper temperature and proper ventilation for practically all types of livestock. Obsolescence has not been given proper consideration as an important cost of large permanent farm buildings. This is especially true of barns.

I feel that the FSA engineers are doing considerable in developing types of buildings which may be utilized by different types of livestock but I doubt whether we have put ourselves to the task seriously enough to get the job done as well as we might. For instance, some engineer will some day provide a movable shed which can be used as a brooder house either for chickens, for hogs or for sheep, with only minor changes. Likewise, a permanent hog house may be designed which can be transformed into a laying house for chickens or even beef cattle shelter or grain storage. Farmers have had to pioneer on this during the past few years in our grain storage program--engineers have been of little help in furnishing original ideas.

Since the agricultural engineers have admitted that machinery may be better taken care of with paint and grease and oil than by housing facilities, FSA should point the way in this type of thing where supervision can be used to reduce costs. Admittedly, there are a few complicated machines which need housing but, in general, we have over emphasized the benefits of machine sheds because of the "looks of the thing". Admittedly, there is a wide difference as to the need of sheds, etc. according to climate--as Region II with their 40° below zero temperatures could prove, in comparison with Regions IV, V and VI, but in each region we should be studying the shelter problem to eliminate our bias and prejudices due to custom.

Well do I realize the fact that Farm Management has a job in Washington, D. C. to educate some of our Administrators, including Baldwin, Walker, Hudgens, Barr and others, that a good ten acre stand of alfalfa or clover is a better asset than a half used, painted barn or a nice, painted machine shed. From a farm management viewpoint, if our borrower has to wait on something let us make it that for which he can and will substitute and which experience has proven he can and will later provide for himself through his own efforts. Land resources are hard for the individual operator to see the need of in his borrowing of funds. It is our job to pioneer, pointing out the necessity and desirability of using funds for these purposes first. Soil improvement will

give quicker returns and relatively higher returns than most farm buildings. And since farmers, particularly the ones with whom we deal, have limited funds, we in farm management insist that the funds be used for those items which will give the highest returns in a relatively short time and not just items which may pay for themselves over a very long period.

Perhaps we should help to group and organize these borrowers for land clearing. Perhaps we should hold "stump pulling bees" rather than "barn raising bees". Perhaps we should talk about partial clearing rather than complete clearing on some types of land.

- 2 Labor - Certainly it would seem that these operators should fully utilize their own labor, not using cash outlay for outside labor-- at least very little. This can be accomplished by keeping down seasonal peaks and diversifying enterprises.
- 3 Capital - In making these loans we should be sure that we keep the working capital high relative to fixed capital. Some day, through careful study, we may be able to indicate certain ratios of working capital to total capital, and ratios of livestock investment to total capital, which will assist us in rehabilitating our families. We know, for instance, that in some of the better corn belt areas, on commercial farms, working capital should be at least 25% to 30% of the total capital invested. From hurried observation, in Eastern Oklahoma, I am fairly well convinced that the average operator must have \$1500 of working capital if he expects to maintain his net worth and have a satisfactory family living. We have only begun to think into this problem in farm management and relatively much more effort should be put into studying these broad organizational problems and less emphasis upon forms and record books, except as a means of getting information.

Care must be exercised in not placing too heavy a loan upon farms of this type. Family needs must be balanced with family resources in order to reduce grants and keep the loan within repaying ability. Only the more essential items should receive loan consideration. Other items might be included in the plan on basis of family labor over a longer period of time.

- 4 Management - Risks should be reduced to a minimum. Keeping away from specialty and single cash crop farming will help in this connection. Certain exceptional situations may, however, justify specialization. Considerable emphasis should be given to the borrower "growing into the business". In other words, enlargement of working capital should be increased as the ability of the operator improves.

In reorganizing the business we will want to consider the various enterprises and their relative returns. We know that beef cattle

are slow in giving financial returns in comparison with hogs and poultry and even dairy cattle. We know that certain types of crops utilize relatively more labor than others. We know that certain feed crops produce twice as many feed units for livestock as others. All of the known farm management principles must be used in reorganizing these farm businesses and applied in a practical way that the operator will understand and use.

In conclusion, we should "be not afraid" to try out all of farm management techniques and plans with this group of operators. We should "be not afraid" to try out the idea of rehabilitating them through enlargement of units by increasing and improving each of the four factors of production--land, labor, capital and management. But let us not place too much emphasis on fixed overhead in terms of buildings to the neglect of soil and land improvements.

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